

## Graeme Charles on Co-operation in The Devondaler



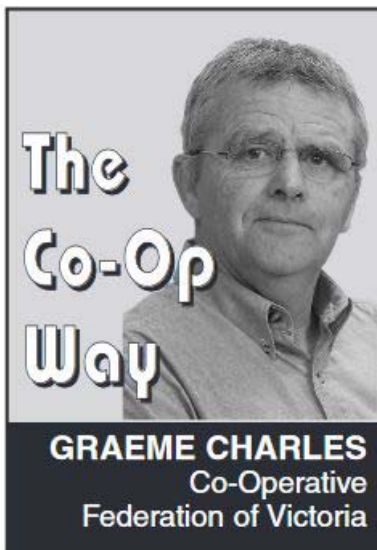
Graeme Charles was the Executive Officer and Secretary of the Co-operative Federation of Victoria Ltd between 1999 and 2002 and Deputy Chairman between 2002 and 2008 – the peak body for co-operatives in the Australian State of Victoria.

Between 2006 and 2008 Graeme Charles was a guest columnist for The Devondaler – the monthly newspaper of Murray Goulburn Co-operative Co. Limited. The Devondaler was established in 1986.

The Co-operative is one of Australia's largest with 2200 dairy farmer members and more than 2000 employees.

Twenty of these columns have been reproduced.

## Small is sometimes beautiful



It is interesting to look at the role of some of the smaller dairy co-operatives within the Irish dairy industry. Like us, Irish dairy farmers and their co-operatively owned businesses are operating in an environment of increasing uncertainty. The number of dairy co-ops there has steadily declined from the 1960's, principally as a result of mergers. The three largest dairy co-ops – Kerry, Glanbia and Dairygold account for over 80% of the total sales of Irish dairy co-ops and 44% of the members. Until quite recently there were 31 Irish dairy co-ops with 88,569 members and total sales of 10.5 billion euros (close to 18 billion Aus dollars).

However, some are questioning the conventional management wisdom that requires considerable economies of scale if producer co-ops in agribusiness are to meet the needs of their members and survive in a global economy. To quote one Irish farmer writing in the Irish Farmers' Journal, May 2005 "Why is a company the size of Glanbia paying

farmers a lower price than smaller co-ops that never amalgamated with anyone?" In spite of the conventional wisdom, many of the smaller dairy co-ops in Ireland appear to be able to pay higher milk prices to members than some of the giants, as well as contributing more fully to the sustainability of local communities.

Apparently over the years, experts have urged Irish dairy co-ops to amalgamate into a single mega-co-op, but many small dairy co-ops have deliberately remained small and independent. They see this as the best way of serving their member/users into the future. They point to what they regard as relatively poor performance by the larger co-ops and the negative consequences of mergers, such as the decline of formerly vibrant rural communities.

Proponents of small co-ops also argue that a mix of dairy ownership structures and scale of operation are good for the industry because they ensure a competitive environment. They often refer to the woeful state of dairy farming in the United Kingdom, where more than half of dairy farmers have left the industry since 1995.

Government and industry continue to argue that the Irish dairy industry is falling behind its international competitors and that much larger processing units are required to shift the emphasis on to more value-added products and investment in research and development. They point out that even if all of Ireland's

dairy co-ops were to merge, the resulting “giant” would be much smaller than the biggest dairy co-ops in Europe, and far smaller than Dairy Farmers of America and New Zealand’s Fonterra. In spite of these recommendations, Irish co-op farmer shareholders have been somewhat reluctant to amalgamate.

Merger is resisted for a number of reasons. Many farmers have a sense of loyalty to their co-op that goes far beyond mere commercial considerations. They take pride in their co-op’s achievements and in the foresight of their ancestors. As mentioned previously, they also worry about the detrimental impact of merger on local employment and the sustainability of neighbouring communities. They are sceptical about the efficiency and economy argument for large-scale milk processing, pointing to medium-sized co-ops which regularly outperform the largest co-ops and PLC’s on milk price and service to farmers.

Small co-operatives have also found tangible ways of enjoying the advantages of scale while remaining small. Almost all of these strategies involve co-operating with other co-ops in ways such as processing together, marketing together, and purchasing together. Applying the old co-operative principle of Co-operation between Co-operatives the future of these small Irish dairy co-operatives is much rosier than many would have us believe.

I am indebted to Robert Briscoe and Michael Ward at the Centre for Cooperative Studies at the National University of Ireland in Cork for the above material.

30 September 2008



## List of Graeme Charles articles published between 2006 - 2008

<b>Title</b>	<b>Date on Article or File – not when published</b>	<b>Identification Number</b>
Why do you belong to Murray Goulburn Co-operative Company	1 September 2006	1
The importance of co-operatives in agriculture across the world.	2 October 2006	2
What Gives Co-operatives A Bad Name	21 November 2006	3
Murray Goulburn one of only two Australian co-operatives in the ICA Global 300	No date	4
UK Co-operative College and Co-operative Federation of Victoria helping Murray Goulburn members co-operative identity	!! December 2006	6
Review of The Democracy Principle: Farmer Co-operatives in Twentieth Century Australia by David Griffiths	12 February 2007	7
Particular Challenges for Co-operatives – Funding Expansion	12 February 2007	8
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Retaining Co-operative Characteristics and Globalisation	25 January 2008	18
Agricultural Co-operatives are Financially Competitive	7 February 2008	19
Does Co-operation Improve Profitability for Farmers	3 June 2008	21
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